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UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

DENISE COOK and KENNETH COOK

Plaintiffs,

v.

BENEFICIAL OREGON INC., a Delaware
Corporation; SHAPIRO & SUTHERLAND,
LLC, a Washington State LLC

Defendants.

Case No. 10-cv-03121-PA

DECLARATION OF PHYLLIS
JOHNSTON IN SUPPORT OF
DEFENDANT'S MOTION FOR
SUMMARY JUDGMENT

I, Phyllis Johnston hereby declare as follows:

1. I am an Assistant Vice President of Beneficial Oregon Inc. ("Beneficial Oregon").

As part of my duties as an Assistant Vice President, I am familiar with, the loan account files and records of Plaintiffs Denise Cook and Kenneth ("Cook"). The Cooks' loan account files and records have been maintained in the ordinary course of business and contain entries made at or near the time of the events recorded therein by, or from information transmitted by a person with knowledge thereof.

DECLARATION OF PHYLLIS JOHNSTON- 1

2. Beneficial Oregon Inc. (incorrectly s/h/a Beneficial HSBC Mortgage Corporation) is an indirectly wholly owned subsidiary of HSBC Finance Corporation (f/k/a Household International, Inc.).

3. On or about March 8, 2007, the Cooks executed a Loan Agreement with Beneficial Oregon for a loan in the amount of \$210,720.35, bearing interest at an initial rate of 8.550% per annum. If the Cooks made their monthly payments timely, this initial rate would *decrease* by 0.30% beginning the 13th month and every 12 months thereafter, up to a maximum of 10 reductions. A true and correct copy of said Loan Agreement is attached hereto as *Exhibit A*.

4. The loan was secured by a deed of trust dated March 8, 2007, and recorded on March 12, 2007, under Josephine County Official Record No. 2007-004995. The Deed of Trust encumbers that certain real property commonly known as 300 Newt Gulch Road, Wilderville OR 97543. A true and correct copy of the Deed of Trust is attached hereto as *Exhibit B*.

5. Contrary to plaintiffs' assertions in their Amended Complaint, the Cook's loan is *not* a home equity line of credit. Instead, it is a fixed-rate, 30 year mortgage. Nor have the loan or deed of trust been sold or assigned to any other entity after origination. From the date of origination to the present the loan has been and still is held, owned and serviced by Beneficial Oregon.

6. As reflected in the HUD-1 Settlement Statement \$197,948.94 of the loan proceeds went to pay off prior existing secured and unsecured creditors of the Cooks:

CAP 1 BANK	\$636.00
FST PREMIE	\$273.00
GEMB/JCP	\$243.00

HOMEEQ	\$147,354.34
HSBC NV	\$865.00
HSBC NV	\$1,022.00
HSBC GOTTS	\$586.00
MATCO FINC	\$713.00
SOANB/FBUG	\$372.00
WELLSFAFI	\$10,208.00
ACCT x9928M	\$35,676.60
TOTAL	\$197,948.94
CASH TO COOK	\$779.76

A true and correct copy of said HUD-1 Settlement Statement is attached hereto as *Exhibit C*.

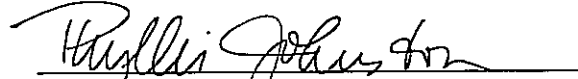
7. In or about September, 2009, the Cooks defaulted on their loan with Beneficial Oregon by failing to make the required monthly payment when due. A true and correct copy of the Cook's payment history is attached hereto as *Exhibit D*.

8. On or about July 20, 2010, Beneficial Oregon executed an Appointment of Successor Trustee, naming Shapiro & Sutherland, LLC as the new trustee. The Appointment of Successor Trustee was duly recorded on July 27, 2010 under Josephine County Official Record No. 2011-000455. A true and correct copy of the Appointment of Successor Trustee is attached hereto as *Exhibit E*.

9. A Trustee's Sale was scheduled for January 5, 2011. The Trustee's Sale was completed as scheduled on January 5, 2011, and by Trustee's Deed dated January 11, 2011, title to the real property encumbered by the Deed of Trust was conveyed to Beneficial Oregon. The

Trustee's Deed was duly recorded on January 12, 2011 under Josephine County Official Record No. 2011-000455. A true and correct copy of the Trustee's Deed is attached hereto as *Exhibit F*.

I hereby declare under the penalty of perjury that the foregoing statement is true and correct. Executed on this 7th day of March, 2011.


PHYLLIS JOHNSTON